

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 EPG-02 DODE-00 FPC-01 H-01 INR-07 INT-05

L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-07

SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01

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R 140952Z MAY 77

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 7396

INFO AMEMBASSY BONN

AMEMBASSY LONDON

USMISSION NATO

AMEMBASSY PARIS

USDOC WASHDC

C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 6697

E.O. 11652: GDS

TAGS: EEWT ENRG UR US

SUBJECT: COMMERCIAL PROSPECTS IN SOVIET OIL INDUSTRY

REFS: (A) MOSCOW 6601, (B) MOSCOW 6325

SUMMARY: A SOVIET OIL INDUSTRY OFFICIAL HAS SAID THE
USSR IS MAINLY INTERESTED IN US GAS LIFT AND DOWN HOLE
EQUIPMENT, SUBMERSIBLE PUMPS, AND GATE-WELLS FOR LARGE
DIAMETER PIPE. WITHOUT SPECIFYING REASONS, OTHER THAN
COST, HE INDICATED PURCHASES IN THE US WOULD BE LESS THAN
THE MINISTRY WOULD OTHERWISE LIKE. THERE ARE SOME INDICATIONS
FROM OTHER SOURCES OF DELAYS IN NEGOTITATIONS WITH US
FIRMS ON A FACILITY TO PRODUCE DRILLING PLATFORMS IN BAKU
BUT SOVIET DISCUSSIONS WITH UK AND POSSIBLY FRG FIRMS ON
BARENTS SEA EXPLORATION ARE APPARENTLY PROCEEDING APACE.
END SUMMARY.

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1. DURING MAY 10 MEETING ON PROSPECTS FOR THE SOVIET OIL
INDUSTRY (REF A), P. ARUSHANOV, CHIEF OF THE FOREIGN
RELATIONS DEPARTMENT, MINISTRY OF THE OIL INDUSTRY, REGRETTED
THAT HIS MINISTRY IS NOT BUYING AS MUCH NOW FROM THE US AS
IT WOULD LIKE. IMPLYING THAT CREDIT WAS THE PROBLEM, HE
SAID PURCHASES WILL BE LESS FROM THE US THAN FROM OTHER
COUNTRIES.

2. ACCORDING TO ARUSHANOV, THE SOVIETS HAVE PURCHASED US SUBMERSIBLE PUMPS AND ARE INTERESTED IN BUYING MORE AS DOMESTIC PRODUCTION IS INSUFFICIENT. THEY ARE ALSO DISCUSSING THE PURCHASE OF US GAS LIFT EQUIPMENT. ELECTRO-CENTRIFUGES, DOWN-HOLE EQUIPMENT AND COMPRESSORS ARE OF INTEREST BUT, AT LEAST IN THE LATTER CASE, US EQUIPMENT IS TOO COSTLY. ARUSHANOV SAID THERE IS STRONG INTEREST IN THE USSR IN COOPERATING WITH US FIRMS ON INCREASING THE EFFICIENCY OF WATER INJECTION METHODS AND ON THE USE OF POLYMER INJECTIONS TO IMPROVE OUTFAKE. ARUSHANOV NOTED IN THIS REGARD HIS IMPENDING TRAVEL ON JUNE 14 WITH A 5-MAN DELEGATION TO VISIT UNION OIL IN CALIFORNIA FOR DISCUSSIONS OF CONCRETE PROJECTS UNDER THEIR JOINT COOPERATION AGREEMENT.

3. IN RESPONSE TO COUNSELOR'S QUERY ABOUT REDUCED SOVIET LARGE-DIAMETER PIPE IMPORTS IN 1976-77, ARUSHANOV SAID PURCHASES OF SUCH PIPE ARE MAINLY BY THE GAS INDUSTRY. ENOUGH PIPE IS PRODUCED DOMESTICALLY TO MEET OIL INDUSTRY DEMAND. THE OIL INDUSTRY NOW HAS 45,000 KILOMETERS OF PIPELINE BUILT WITH 22,000 KILOMETERS MORE TO BE ADDED BY 1980. THE MINISTRY IS, HOWEVER, INTERESTED IN GATE-WELLS FOR LARGE DIAMETER PIPES, CURRENTLY A SHORT-SUPPLY ITEM. THIS EQUIPMENT IS BEING PURCHASED FROM JAPAN AND ITALY AS US GATE-WELLS ARE "VERY EXPENSIVE." GATE-WELLS FOR GAS PIPE ARE BEING PURCHASED FROM THE US IRM, CAMERON IRON WORKS.

4. FINALLY, ARUSHANOV NOTED A "BIG PROBLEM" NAMELY, THE NEED TO PURCHASE GAS LIFT EQUIPMENT FOR THE SAMOTLOR
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AND FEDOROV FIELDS OF WEST SIBERIA. REFERENCE WAS MADE TO NEGOTIATIONS WITH SEVERAL US AND CANADIAN FIRMS. A DELEGATION HEADED BY DEPUTY OIL MINISTER TAKOEV WILL VISIT CANADA AND THEN THE US BEGINNING MAY 16 FOR FURTHER DISCUSSIONS AND EXAMINATION OF EQUIPMENT, REFTEL B. THE DELEGATION HAS BEEN INFORMED THE NECESSARY EQUIPMENT WOULD BE MAINLY OF US-ORIGIN.

5. THERE ARE SEVERAL OTHER COMMERCIAL DEVELOPMENTS OF INTEREST IN THE OIL INDUSTRY. ROBERT SIROTTA, BROWN AND ROOT'S MOSCOW PERMREP CONFIRMED TO COMOFF MAY 6 THAT DEPUTY MINISTER OF OIL INDUSTRY V.I. MISHCHEVICH HAD RECENTLY ANNOUNCED THEIR POSTPONEMENT OF PLANNED VISITS TO NORTH SEA AND TEXAS IN CONNECTION WITH BROWN AND ROOT/BP/WIMPEY PROPOSAL FOR DRILLING RIG FABRICATION YARD NEAR BAKU. SIROTTA SUSPECTED, HOWEVER, THAT POSTPONEMENT MAY BE CAUSED BY FTO SUDOIMPORT'S DIFFICULTY IN MASTERING SUBJECT MATTER SUFFICIENTLY TO CONDUCT COMMERCIAL NEGOTIATIONS FOR PROJECT. HE HOPES VISITS WOULD FINALLY TAKE PLACE NEXT

MONTH.

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ACTION EB-07

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C O N F I D E N T I A L SECTION 2 OF 2 MOSCOW 6697

6. BRITISH EMBASSY COMMERCIAL COUNSEL FOR HUDSON INFORMED
E/C COUNSEL FOR MAY 12 THAT BRITISH MINISTER OF ENERGY BENN
HAD DISCUSSED BARENTSSEA EXPLORATION WITH CHAIRMAN KIRILLIN
OF STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY AND MINISTER
MAL'TSEV OF PETROLEUM INDUSTRY. HUDSON GAVE NO DETAILS
BUT SAID SOVIETS ARE ALSO DISCUSSING BARENTSSEA WITH OTHER
COUNTRIES AS WELL. (WE KNOW THEY HAVE APPROACHED GERMANS
AND FRENCH IN THE PAST.) WE NOTE THAT A BP REPRESENTATIVE
WILL BE ON THE UK DELEGATION DURING MEETING OF UK-SOVIET
JOINT COMMISSION IN MOSCOW MAY 24-26. ON THE OTHER HAND,
ANOTHER BRITISH SOURCE SAID THAT THERE HAD BEEN SOME
SLIPPAGE ON SOVIET SIDE CONCERNING DRILLING RIG PROJECT
NEAR BAKU, WHICH NOW SEEMS TO BE "LESS URGENT" FOR SOVIETS.

7. COMMENT: WE ARE STRUCK BY ARUSHANOV'S FRANK ACKNOWLEDGMENT
OF THE NEED FOR GAS LIFT EQUIPMENT AND SUBMERSIBLE
PUMPS FOR USE IN WEST SIBERIA. WHILE COST WAS THE ONLY
FACTOR ARUSHANOV SPECIFICALLY MENTIONED FOR THE BELOW-
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EXPECTATION LEVEL OF US PURCHASES, THE IMPLICATION WAS THE LACK
OF MFN AND CREDITS WERE THE MORE SIGNIFICANT REASONS.
THROUGHOUT, ARUSHANOV WAS VERY POSITIVE ON PROSPECTS FOR
COOPERATION WITH US FIRMS, WITH CONTINENTAL SHELF EXPLORATION
AND SECONDARY AND TERTIARY RECOVERY METHODS BEING SINGLED OUT.
TOON

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Message Attributes

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